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CLERK U S DISTRICT COURT DISTRICT OF ARIZONA	
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UNITED STATES DISTRICT COURT  
DISTRICT OF ARIZONA

**CRO6-0664 PHX-MAH**  
(LOA)

**INDICTMENT**

United States of America,

Plaintiff,

v.

1. Ernesto A. Sanchez  
(Counts 1-2)

2. Timothy A. Calkins  
(Counts 1, 3, 5, 7, 8)

3. Michael S. Craig  
(Counts 1, 6, 8)

4. Donald E. Bragg  
(Counts 1, 4)

5. Charles W. Hornburg  
(Count 1)

Defendants.

VIO: 18 U.S.C. § 371

(Conspiracy to Give Gratuities to  
Public Officials)  
Count 1

18 U.S.C. § 201(c)(1)(A)  
(Giving Gratuities to Public  
Officials)  
Count 2

18 U.S.C. § 201(c)(1)(B)  
(Receiving Gratuities For or  
Because of an Official Act)  
Counts 3-4

18 U.S.C. § 1001(a)(2)  
(False Statements)  
Counts 5-7

18 U.S.C. §§ 1512(b)(3) and 2  
(Witness Tampering/Aid and Abet)  
Count 8

THE GRAND JURY CHARGES:

**INTRODUCTION**

At all times relevant to this indictment:

1. The Western Area Power Administration ("WAPA") is a federal power administration

1 within the Department of Energy. WAPA is responsible for the marketing and delivery of  
2 hydroelectric power and related services within a 15-state region of the central and western  
3 United States. WAPA's main function is to market and transmit electricity from multi-use water  
4 projects over an extensive transmission system. The Desert Southwest Regional Office  
5 ("DSW") is a subdivision of WAPA based out of Phoenix, Arizona.

6 2. The Rocky Mountain Regional Cooperative Administrative Support Unit ("CASU") is  
7 part of a voluntary, interagency, cost reduction initiative established in 1986 by the President's  
8 Council on Management Improvement. The CASU Program was created to provide  
9 participating government agencies with the best prices for commonly used administrative and  
10 operations support services on a fully reimbursable basis. Through an interagency agreement  
11 with WAPA, CASU contracted with MBTech to provide temporary dispatcher services to  
12 WAPA.

13 3. Micro Business Technology ("MBTech") is an Arizona business controlled by ERNESTO  
14 A. SANCHEZ. MBTech operated in two corporate forms: a limited liability company; and a  
15 corporation. MBTech obtained a federal contract through CASU to provide temporary  
16 dispatcher services to WAPA-DSW from August 2001 to September 2002, at a reimbursement  
17 rate of \$95.00 per hour and \$142.50 for each overtime hour.

18 4. Fortech Software Consulting, Inc. ("Fortech") is an Arizona business that actually supplied  
19 most of the temporary dispatchers to WAPA-DSW, through a subcontract with MBTech.  
20 Fortech charged MBTech a flat rate of \$65.00 per hour for dispatchers.

21 5. AMM Benefits, Inc. ("AMM") is an Arizona company into which money from MBTech  
22 was invested, and of which SANCHEZ and CALKINS were "silent partners."

23 6. SANCHEZ is a partner in MBTech, L.L.C. and the President of MBTech, Inc. SANCHEZ,  
24 through MBTech, made payments to former and current employees of WAPA-DSW following  
25 his receipt of the contract with CASU.

26 7. TIMOTHY A. CALKINS is the Chief Dispatcher at WAPA-DSW, and has worked  
27 for WAPA since February 9, 1992. At the time MBTech was awarded the CASU contract,  
28 CALKINS was the Assistant Regional Manager at WAPA-DSW. As part of his official duties,

1 CALKINS approved the Purchase Requisition for the dispatcher services on or about August 8,  
2 2001. Subsequent to August 8, 2001, CALKINS' wife received payment of over \$20,000.00  
3 from SANCHEZ, and SANCHEZ invested additional payment for CALKINS in AMM.

4 8. MICHAEL S. CRAIG has been a Dispatcher at WAPA-DSW since October 27, 1996.  
5 CRAIG was a partner in MBTech, L.L.C. prior to August 2001. SANCHEZ made payments  
6 totaling \$149,042.40 to CRAIG subsequent to August 2001.

7 9. DONALD E. BRAGG was a Dispatcher at WAPA-DSW from April 26, 1998 to January  
8 12, 2002. As part of his official duties, BRAGG filed a request for temporary dispatcher  
9 services with CASU on or about August 8, 2001. SANCHEZ made payments totaling  
10 \$113,265.91 to BRAGG subsequent to August 2001.

11 10. CHARLES W. HORNBURG, known as "Skip", was a Dispatcher at WAPA-DSW from  
12 November 22, 1998 to March 24, 2001. HORNBURG was the point of contact for MBTech on  
13 the contract with CASU, and proposed MBTech to CASU as the contractor for temporary  
14 dispatch services. SANCHEZ made payments totaling \$112,274.95 to HORNBURG subsequent  
15 to August 2001.

16 **CONSPIRACY TO GIVE GRATUITIES**  
17 **(COUNT 1)**

18 11. Beginning at least as early as the spring of 2001 and continuing through on or around  
19 November 2003, in the District of Arizona and elsewhere, defendants SANCHEZ, CALKINS,  
20 CRAIG, BRAGG and HORNBURG, otherwise than as provided by law for the proper discharge  
21 of official duty, did knowingly and willfully conspire and agree with each other and with other  
22 persons known and unknown to the Grand Jury, to commit the following offense against the  
23 United States:

24 .a. Title 18, United States Code, Section 201(c) (Giving and Receiving Gratuities).

25 **OBJECT OF THE CONSPIRACY**

26 12. Defendants knowingly and willfully agreed with each other to use the official acts of  
27 CALKINS and BRAGG to assist SANCHEZ in obtaining the federal contract for temporary  
28 dispatch work, and to give or receive monetary consideration, directly or indirectly, for or  
because of the official acts.

1                                    **MEANS AND METHOD OF THE CONSPIRACY**

2    13. The means and method employed by the defendants to effect the object of the conspiracy  
3    were as follows:

4            a. Defendants communicated in person and via electronic mail with respect to  
5    remuneration to be paid by SANCHEZ to CALKINS, CRAIG, BRAGG and HORNBURG.

6            b. CALKINS, CRAIG, BRAGG and HORNBURG used their positions to assist  
7    SANCHEZ in learning about the need for temporary dispatch services and in procuring the  
8    contact to provide those services.

9                                    **OVERT ACTS**

10   14. In furtherance of the aforesaid conspiracy, and to the effect the objects of the conspiracy,  
11   the defendants performed and caused to be performed, among others, the following overt acts:

12           a. In or around May 2001, CRAIG informed SANCHEZ of the impending need for  
13   temporary dispatcher services.

14           b. In or around July 2001, SANCHEZ, CRAIG and HORNBURG met in Phoenix,  
15   Arizona to discuss the WAPA-DSW contract.

16           c. On July 16, 2001, SANCHEZ outlined the terms of remuneration with  
17   HORNBURG.

18           d. Prior to August 8, 2001, SANCHEZ, CALKINS, CRAIG, BRAGG and  
19   HORNBURG met at CRAIG'S house in Phoenix to discuss MBTech's impending contract to  
20   provide dispatch services for WAPA-DSW.

21           e. On or around August 8, 2001, BRAGG filed the request for temporary services  
22   with CASU.

23           f. On or around August 8, 2001, CALKINS approved the request for temporary  
24   services.

25           g. On or around August 9, 2001, CASU awarded the temporary dispatch contract to  
26   MBTech.

27           h. On or about October 2001, SANCHEZ and CALKINS met with a representative  
28   from AMM to discuss investments of MBTech money into AMM.

1 i. On or about November 2001, SANCHEZ and CALKINS, as silent partners and  
2 lenders, entered into a promissory note, edited by CALKINS, with AMM. Contemporaneous  
3 with the promissory note, SANCHEZ and AMM entered into an agreement for MBTech to  
4 provide start-up capital to AMM. On or about December 18, 2001, MBTech made its first  
5 payment to AMM.

6 j. On or about August 7, 2002, SANCHEZ and HORNBURG exchanged emails  
7 discussing additional remuneration.

8 k. On or about August 7, 2002, SANCHEZ, CRAIG, BRAGG and HORNBURG met  
9 to discuss additional remuneration.

10 l. On or about November 10, 2002, SANCHEZ issued an MBTech check to  
11 CALKINS' wife in the amount of \$20,000.00.

12 m. On or about September 27, 2002, SANCHEZ issued an MBTech check to CRAIG  
13 in the amount of \$9,000.00.

14 n. On or about November 11, 2002, SANCHEZ issued an MBTech check to BRAGG  
15 for \$73,265.91.

16 o. On or about August 7, 2002, SANCHEZ issued an MBTech check to  
17 HORNBURG for \$14,660.00.

18 p. On or about November 10, 2003, CRAIG flew to Nevada to meet with  
19 HORNBURG to discuss HORNBURG's impending interview with law enforcement agents  
20 investigating the case and to give HORNBURG a script prepared by CALKINS for use in  
21 preparing for the interview.

22 In violation of Title 18, United States Code, Section 371.

23 **GIVING GRATUITIES**  
24 **(COUNT 2)**

25 15. The factual allegations in paragraphs 1 to 14 of the Indictment are incorporated herein by  
26 reference and re-alleged as though fully set forth herein.

27 16. Between on or about July 2001 and on or about May 2003, in the District of Arizona,  
28 SANCHEZ, otherwise than as provided by law for the proper discharge of official duty, directly  
and indirectly gave, offered and promised money to CALKINS, CRAIG, BRAGG and

1 HORNBERG, each a current or former public official, for and because of official acts  
2 performed and to be performed by CALKINS and BRAGG.

3 In violation of Title 18, United States Code, Section 201(c)(1)(A).

4 **RECEIVING GRATUITIES**  
5 **(COUNT 3)**

6 17. The factual allegations in paragraphs 1 to 14 of the Indictment are incorporated herein by  
7 reference and re-alleged as though fully set forth herein.

8 18. Between on or about July 2001 and November 2002, in the District of Arizona, CALKINS,  
9 a public official, otherwise than as provided by law for the proper discharge of official duty,  
10 directly and indirectly demanded, sought, received, accepted, and agreed to receive and accept  
11 a thing of value to him personally, that is, money, for and because of an official act performed  
12 and to be performed by him, that is, approval of the Purchase Requisition for temporary  
13 dispatcher services.

14 In violation of Title 18, United States Code, Section 201(c)(1)(B).

15 **RECEIVING GRATUITIES**  
16 **(COUNT 4)**

17 19. The factual allegations in paragraphs 1 to 14 of the Indictment are incorporated herein by  
18 reference and re-alleged as though fully set forth herein.

19 20. Between on or about July 2001 and November 2002, in the District of Arizona, BRAGG,  
20 a public official until January 12, 2002, otherwise than as provided by law for the proper  
21 discharge of official duty, directly and indirectly demanded, sought, received, accepted, and  
22 agreed to receive and accept a thing of value to him personally, that is, money, for and because  
23 of an official act performed and to be performed by him, that is, the filing of the request for  
24 temporary dispatcher services.

25 In violation of Title 18, United States Code, Section 201(c)(1)(B).

26 **FALSE STATEMENTS**  
27 **(COUNT 5)**

28 21. The factual allegations in paragraphs 1 to 14 of the Indictment are incorporated herein by  
reference and re-alleged as though fully set forth herein.

1 22. On or about October 21, 2003, in the District of Arizona and in a matter within the  
2 jurisdiction of the executive branch of the United States, CALKINS knowingly and willfully  
3 made a materially false, fictitious and fraudulent statement and representation, that is, he signed  
4 OGE Form 450, an Executive Branch Confidential Financial Disclosure Report, and certified  
5 that, in the 12 months preceding September 30, 2003: 1) neither he nor his spouse had any  
6 earnings apart from his government salary; and 2) he held no outside positions.

7 In violation of Title 18, United States Code, Section 1001(a)(2).

8  
9 **FALSE STATEMENTS**  
10 **(COUNT 6)**

11 23. The factual allegations in paragraphs 1 to 14 of the Indictment are incorporated herein by  
12 reference and re-alleged as though fully set forth herein.

13 24. On or about February 11, 2004, in the District of Arizona and in a matter within the  
14 jurisdiction of the executive branch of the United States, CRAIG knowingly and willfully made  
15 to Special Agents with the U.S. Department of Energy, Office of Inspector General, a materially  
16 false, fictitious and fraudulent statement and representation, that is, a claim that the money he  
17 received from SANCHEZ for his part in the scheme was in part a loan and in part an investment  
18 by SANCHEZ in CRAIG's residence.

19 In violation of Title 18, United States Code, Section 1001(a)(2).

20  
21 **FALSE STATEMENTS**  
22 **(COUNT 7)**

23 25. The factual allegations in paragraphs 1 to 14 of the Indictment are incorporated herein by  
24 reference and re-alleged as though fully set forth herein.

25 26. On or about February 11, 2004, in the District of Arizona and in a matter within the  
26 jurisdiction of the executive branch of the United States, CALKINS knowingly and willfully  
27 made to Special Agents with the U.S. Department of Energy, Office of Inspector General, and  
28 the Federal Bureau of Investigation, a materially false, fictitious and fraudulent statement and  
representation, that is, a claim that he never received any money, checks or funds from MBTech,

1 and that he was unaware of any current or former WAPA-DSW employees who received gifts  
2 or gratuities from MBTech.

3 In violation of Title 18, United States Code, Section 1001(a)(2).

4 **WITNESS TAMPERING**  
5 **(COUNT 8)**

6 27. The factual allegations in paragraphs 1 to 14, 22, 24 and 26 of the Indictment are  
7 incorporated herein by reference and re-alleged as though fully set forth herein.


8 28. Between on or about October 10, 2003 and November 10, 2003, in the District of Arizona  
9 and elsewhere, CALKINS and CRAIG knowingly engaged in misleading conduct and  
10 knowingly and intentionally attempted to corruptly persuade HORNBURG, with the intent to  
11 cause or induce him to hinder, delay and prevent the communication of information relating to  
12 the commission of a federal offense by HORNBURG to agents from the U.S. Department of  
13 Energy, Office of Inspector General.

14 In violation of Title 18, United States Code, Section 1512(b)(3) and 2.

15 A TRUE BILL

16 S/  
17 FOREPERSON OF THE GRAND JURY  
18 Date: July 18, 2006

19 PAUL K. CHARLTON  
20 United States Attorney  
21 District of Arizona

22   
23 GARY M. RESTAINO  
24 Assistant U.S. Attorney  
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